



PULSE - AN INNOVATIVE ENERGY LOAN FUND

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What is PULSE?

PULSE is the California Power Authority's (CPA) new public agency energy loan program, designed to deliver clean energy solutions to most public agencies. The Public Leadership Solutions for Energy (PULSE) program helps public agencies manage energy needs and costs by providing flexible loan terms, and provides agencies with a turnkey financing and the advantages of pooled issuances. A broad range of energy efficiency solutions, renewable, and clean on-site generation technologies are eligible for financing.

Applications for the inaugural funding are due October 15, 2002 for an anticipated issuance date of early 2003. PULSE will issue bonds several times each year, so if a project's timing doesn't coincide with the CPA's first offering, agencies can apply for future rounds.

Benefits of PULSE Financing

- **Turnkey financing team.** With most bond issues, public agencies must solicit, interview and hire a multi-professional financing team, prepare documents (including an official statement), participate in the rating agency process, obtain credit enhancement, negotiate documents with credit enhancement providers, price their bonds, and manage the bond proceeds.

With the PULSE Program, CPA provides a nationally recognized financing team, as well as staff dedicated to PULSE, to manage all the steps in the financing process.

- **Broad eligibility.** PULSE encompasses a wide range of eligible participants, including state and local agencies and 501(c) 3 organizations.
- **Increased flexibility.** Compared to existing State energy financing programs, PULSE will: 1) allow for larger loans and leases, 2) conform loan terms to match the technologies' expected useful life, and 3) avoid any requirement to "give back" energy savings.

- **Expanded financing ability for public jurisdictions.** PULSE offers a lease financing option that does not obligate borrowers to hold a public vote needed for a "loan". Projects can include both efficiency and distributed generation technologies.

Eligibility

Who are the eligible borrowers?

- **Public agencies** include cities, counties, school districts, community college districts, water districts and special districts. Most State agencies and departments can utilize lease financing through PULSE, subject to receiving all internal approvals. Certain public entities which are not subject to State constitutional debt limits may elect to utilize either loan or lease financing.
- **501 (c) 3 organizations**, which must attest to their tax-exempt status. A public hearing is also required.
- **Municipal utilities and Joint Powers Authorities**

What are borrowers' restrictions?

- **Federal agencies** may not participate in this tax-exempt financing.
- **Private entities** cannot access this tax-exempt financing program.
- **Future programs** may be developed by CPA to facilitate financing by either federal or private entities.

What technologies will PULSE finance?

- **Technologies** include energy efficiency measures (including advanced metering and controls, thermal storage, cool roofs, daylighting, etc); clean or renewable distributed generation (including solar PV, biogas and landfill gas recovery, fuel cells, combined heat and power); additional similar energy measures; as well as, incremental costs of exceeding Title 24 building energy standards.

Which project-related costs are financeable?

- Project development "soft costs", including feasibility studies, engineering design, performance

guarantees and equipment warranties, and project management.

- Equipment and construction costs.
- Costs of Issuance.

Financing Terms

What amounts can be borrowed?

In each issuance, any single borrower may apply for financing of \$2 million or more. A portfolio of projects can be assembled under the umbrella of a single borrower. (A California Energy Commission loan program lends up to \$2 million.)

What rates are currently anticipated?

Tax-exempt market rates: for short-term loans (1-5 years), currently approximately 3%; medium-term (6-15 years) rates currently ranging from 3-4.5%; longer-term (16-30 years) rates currently ranging from 4.5-5.5%. CPA bond rates will be based on prevailing market conditions at the time of issuance. Terms are available up to projects' expected useful life.

Is there a limit to PULSE funding availability?

No – there will be a series of bond issuances, probably semi-annually.

Approval Process

What do borrowers need to provide?

Borrowers will submit a simple five-page application. Key elements to include with the application are: description of the project(s); the borrower's approval process; timelines; and financial information, including two years of financial statements. CPA and its advisors will manage the remainder of the financing process.

What is the approval process?

Upon receipt of an Application, the CPA will perform initial reviews and the bond insurer will conduct primary credit analysis. Additional due diligence will be conducted by the CPA and its counsel.

How long will the approval process take?

Upon receipt of complete information with the application, the CPA anticipates a 60-90 day approval process. Multiple annual bond issuances are anticipated, so if applications are submitted outside of a particular financing pool, borrowers can apply in the next issuance.

The application and more detailed information are available at www.cpowerauthority.ca.gov/financing/PULSE.htm. For additional details, please contact the CPA at 916-651-9750 or email cpapublicloans@dgs.ca.gov.

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